

## **POLICY FOR DETERMINING MATERIAL SUBSIDIARY**

Adopted by the Board on 09/11/2015 & applicable w.e.f. 01/12/2015

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### **1. INTRODUCTION**

Clause 16(1)(c) of the SEBI (Listing Obligations and Disclosure requirements) Regulation, 2015 provides that "the listed entity shall formulate a policy for determining 'material' subsidiary. Further regulation 24 contains certain corporate governance requirements for material subsidiaries. This policy intends to put above said regulations in the workflow of the Company.

### **2. OBJECTIVE OF THE POLICY**

The objective of this Policy is about

- (a) Determination of Material Subsidiary Company
- (b) Requirement of Independent Director in certain Material Unlisted Indian Subsidiaries
- (c) Restriction on disposal of shares of Material Subsidiary by the Company
- (d) Restriction on transfer of assets of Material Subsidiary and
- (e) Disclosure requirements, based on the Listing Regulations and any other laws for the time being in force.

### **3. DEFINITIONS:**

Any words used in this Policy shall have the same meaning as prescribed to it in SEBI (Listing Obligations and Disclosure requirements) Regulation, 2015 or the Companies Act, 2013 or Rules made thereunder, or SEBI Act, Rules and Regulations made thereunder.

- a) **"Company"** means **"PG ELECTROPLAST LIMITED"**
- b) **"Control"** shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder agreements or voting agreements or in any other manner.
- c) **"Material" subsidiary** means subsidiary, whose turnover or networth exceeds ten percent of the consolidated turnover or networth respectively, of the listed entity and

its subsidiaries in the immediately preceding accounting year.

- d) **“Material Non Listed Indian Subsidiary”** implies an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up share capital and free reserves) exceeds 10% of the consolidated turnover or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.
- e) **“Significant Transaction or Arrangement”** implies any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total turnover or total expenses or total assets or total liabilities, as the case may be, of the material unlisted subsidiary for the immediately preceding accounting year.
- f) **“Subsidiary”** shall mean as defined under the Companies Act, 2013 Act and the Rules made thereunder.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, or any other applicable law or regulation.

#### **4. DETERMINATION OF MATERIAL SUBSIDIARY:**

A subsidiary shall be considered as material whose <sup>1</sup>[turnover] or net worth exceeds <sup>2</sup>[ten percent] of the consolidated <sup>3</sup>[turnover] or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- (i) The Board of the Company shall, every year, at the Board meeting for approval of financial results, examine that whether any subsidiary has become material subsidiary.
- (ii) The Chief Financial Officer of the Company shall be responsible for tracking, during all time in the financial year, if any Subsidiary Company likely to become a material subsidiary. He shall intimate to the Board about this matter. Board in its first meeting, subsequent to such intimation, determine, if such Company is a material subsidiary.

#### **4. GOVERNANCE FRAMEWORK:**

- (i) <sup>4</sup> [At least one Independent Director on the Board of the Company shall be a director

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<sup>1</sup> Substituted for the word “income” by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024 w.e.f. 13.12.2024

<sup>2</sup> Substituted ibid for the word “twenty”, w.e.f. 1.4.2019

<sup>3</sup> Substituted for the word “income” by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024 w.e.f. 13.12.2024

<sup>4</sup> Substituted by the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, w.e.f.

on the board of the Unlisted Material Subsidiary, incorporated in India.

Explanation - For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16, the term "material subsidiary" shall mean a subsidiary, whose <sup>5</sup>[turnover] or net worth exceeds ten percent of the consolidated <sup>6</sup>[turnover] or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.]

- (ii) The management shall quarterly submit to the Board a statement of all Significant Transactions and Arrangements (*any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted material subsidiary for the immediately preceding accounting year*) entered into by the unlisted Material Subsidiary Company.
- (iii) A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal, <sup>7</sup>[or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved]
- (iv) Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal, <sup>8</sup>[or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- (v) The Audit Committee of the holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary Company.
- (vi) The minutes of the meeting of the Board of Directors of the unlisted subsidiary company shall be placed at the meeting of Board of Directors of the listed holding

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1.4.2019. Prior to the substitution, sub-regulation (1) read as follows:

"(1) At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, incorporated in India."

<sup>5</sup> Substituted for the word "income" by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024 w.e.f. 13.12.2024

<sup>6</sup> Substituted for the word "income" by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024 w.e.f. 13.12.2024

<sup>7</sup> Inserted by SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2018, w.e.f. 31.05.2018

<sup>8</sup> Inserted by SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2018, w.e.f. 31.05.2018

company.

## **5. REPORTING and DISCLOSURE**

This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the annual report.

## **6. Amendment**

This policy may be amended from time to time with approval from the Board of Directors to comply with regulatory requirements

## **7. REVIEW OF THE POLICY**

This Policy shall be subject to review periodically or as may be deemed necessary as per any regulatory amendments and updated accordingly with the changes if any. In case of any amendment/clarification/circular/notification, etc., issued by the relevant authority, not being consistent with the provisions laid down in this policy, then such amendment/clarification/circular, etc., shall prevail upon the provisions mentioned herein and this policy shall stand amended accordingly from the effective date as laid down under such amendment/clarification/circular/ notification, etc.

**Further amended, reviewed and adopted by the Board post consideration of the recent amendments in the Listing Obligation and Disclosure Requirements (LODR) Regulations, 2015 at the meeting held on 08/08/2025.**